

## **2007 Trustees' Report Shows Slight Improvement in Social Security's Outlook**

### **The key dates for the Social Security Trust Fund are stable**

- The date when Social Security will have redeemed all of the bonds in its Trust Fund improves by one year, from 2040 in last year's report to 2041 this year. **In other words, Social Security will be able to pay every penny of benefits for well over three decades, even if we take no action to strengthen its finances.**
- After 2041, Social Security revenues will be able to fund 75 percent of currently scheduled benefits, an improvement over last year's report, which projected only 74 percent of promised benefits. Without changes, Social Security would be able to pay 70 percent of benefits in the 75<sup>th</sup> year (the same as projected in last year's report).
- Social Security benefits will exceed its tax revenues in 2017, the same date as in last year's report.
- Social Security benefits will exceed its total revenues (payroll taxes and interest) in 2027, again the same date as in last year's report.

### **The outlook over 75 years also shows little change**

- The projected shortfall over the entire period is 0.7 percent of gross domestic product, the same as last year's report. The imbalance over the 75-year period amounts to 1.95 percent of taxable payroll, or 0.6 percentage points less than in last year's report.

### **Projections for later years have improved**

- The shortfall in the 75<sup>th</sup> year is smaller than forecast last year, falling from 5.38 percent of taxable payroll to 5.20 percent in 2081.
- As noted above, the report indicates that revenues would finance 75 percent of benefits after the Trust Fund is exhausted in 2041. So Social Security's finances in the decades after that date are slightly stronger this year than in last year's report.

**Overall, the updated projections do not indicate any dramatic change in Social Security's financial outlook.**

- Social Security remains healthier today than it did several years ago. In 1997, the Trustees projected that annual benefits would exceed tax revenue in 2012, and that the Trust Fund would be exhausted in 2029.
- The 75-year funding gap expressed in present-value dollars increased slightly, from \$4.6 trillion to \$4.7 trillion. However, this change does not represent the cost of a year's delay in making adjustments to Social Security, as the Administration sometimes claims. Rather, it is simply the result of measuring the gap over a different time frame, when the value of the dollars used in the measurement have changed. The magnitude of the shortfall actually is unchanged.
- The improvement in the 75-year balance is the result of adjustments in actuarial methods and assumptions. For instance, slight adjustments to demographic assumptions and the shift in the 75-year projection period (from 2006 - 2080, to 2007 - 2081) increase the overall deficit. But these changes are more than offset by other adjustments in economic assumptions and benefit levels.

*Prepared by the Democratic Staff of the Committee on Ways and Means  
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